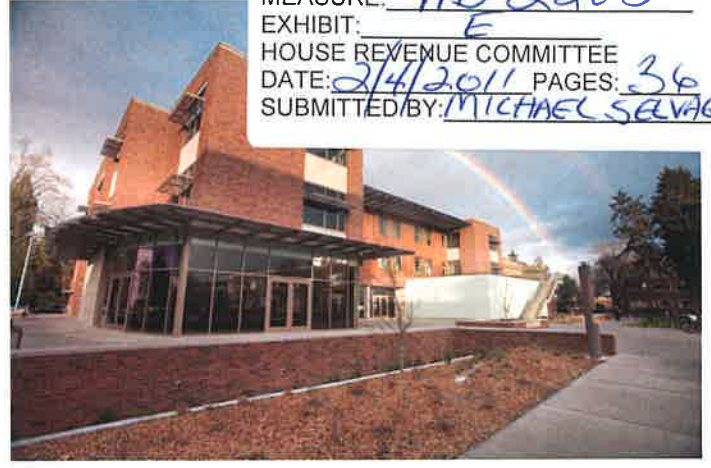


MEASURE: HB 2205  
EXHIBIT: E  
HOUSE REVENUE COMMITTEE  
DATE: 2/4/2011 PAGES: 36  
SUBMITTED BY: MICHAEL SELVAGGIO



Photographs Courtesy of Willamette University

Annual Report 2010

**OFA**  
Oregon Facilities Authority





Courtesy of Willamette University

Gwendolyn Griffith · Executive Director  
Oregon Facilities Authority  
1600 Pioneer Tower  
888 SW Fifth Avenue  
Portland, OR 97204  
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<http://www.ost.state.or.us/About/OFA/>

**OFA**  
Oregon Facilities Authority



OFFICE OF THE STATE TREASURER

TED WHEELER  
OREGON STATE TREASURER

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**GWENDOLYN GRIFFITH**  
Executive Director

**SHANNON A. SULLIVAN**  
Executive Assistant



**OREGON FACILITIES AUTHORITY**  
1600 Pioneer Tower  
888 SW Fifth Avenue  
Portland, Oregon 97204  
Phone: 503-802-5710  
Email: ofa@tonkon.com

September 30, 2010

Greetings:

I am pleased to provide to you the annual report for fiscal year 2009-10 for the Oregon Facilities Authority (OFA). This year has shown a marked improvement over last year in the bond market for conduit issuers and nonprofit borrowers. Although the economic turmoil is far from over, and borrowers continue to face challenges, the market appears to be stabilizing. This year, OFA successfully closed ten bond issues, five in the Traditional Bond Program and five in the SNAP Bond Program. These Projects are described in detail later in this Report.

In the coming year, OFA will continue its efforts to be the issuer of choice for nonprofits. Our new bond counsel structure, implemented in 2008-09, is working well to extend OFA's expertise in structuring transactions for the benefit of nonprofits. We are in the process of finalizing new administrative rules to update our procedures. In the 2010 Special Legislative Session, OFA's authorizing statute was amended to allow it to facilitate the issuance of bonds for new programs for which tax exempt bonds may be issued, as authorized by federal law.

All of us at OFA were saddened at the death of Treasurer Ben Westlund in March of 2010. Treasurer Westlund had worked closely with OFA to expand its programs to help more nonprofits throughout the State, and his leadership will be sorely missed. In addition, Alice Garrett of Wells Fargo, N.A. retired. Alice had served as OFA's Trustee from OFA's beginnings in 1989 and was much respected throughout our bond world. We will miss her. We at OFA are looking forward to working with Oregon State Treasurer Ted Wheeler, and continuing our work with Wells Fargo as Trustee.

Helping nonprofits meet their capital needs is critical to the health of the nonprofit sector in Oregon. OFA's goal continues to be to help nonprofits responsibly meet their capital needs by applying its deep understanding of nonprofit bond financing to the special situation of each nonprofit.

As always, if you have any questions about the Authority or its programs, please feel free to call. I look forward to a successful year for the Authority.

  
Gwendolyn Griffith  
Executive Director



REPORT OF OREGON FACILITIES AUTHORITY  
TO THE  
GOVERNOR, STATE OF OREGON  
TREASURER, STATE OF OREGON  
LEGISLATIVE ASSEMBLY, STATE OF OREGON  
FOR THE FISCAL YEAR ENDING JUNE 30, 2010

**The Honorable Ted Kulongoski**  
Governor  
State of Oregon  
900 Court St. NE, Suite 254  
Salem, Oregon 97301

**The Honorable Richard Devlin**  
Senate Majority Leader  
State of Oregon  
900 Court St. NE, S-223  
Salem, Oregon 97301

**The Honorable Ted Wheeler**  
State Treasurer  
State of Oregon  
900 Court St. NE, Suite 159  
Salem, Oregon 97301

**The Honorable Ted Ferrioli**  
Senate Republican Leader  
State of Oregon  
900 Court St. NE, S-323  
Salem, Oregon 97301

**The Honorable Peter Courtney**  
President of the Senate  
State of Oregon  
900 Court St. NE, S-201  
Salem, Oregon 97301

**The Honorable Mary Nolan**  
House Majority Leader  
State of Oregon  
900 Court St. NE, H-295  
Salem, Oregon 97301

**The Honorable Dave Hunt**  
Speaker of the House  
State of Oregon  
900 Court St. NE, H-269  
Salem, Oregon 97301

**The Honorable Bruce Hanna**  
House Republican Leader  
State of Oregon  
900 Court St. NE, H-395  
Salem, Oregon 97301

This twentieth annual report by the Oregon Facilities Authority [OFA or Authority] is submitted in compliance with ORS 289.240. It covers the period commencing July 1, 2009, and ending June 30, 2010. Prior to January 1, 2002, the Authority's name was the "Health, Housing, Educational and Cultural Facilities Authority" (HHECFA).

## OVERVIEW OF THE OREGON FACILITIES AUTHORITY

The Oregon Facilities Authority (OFA or the Authority) is the Oregon state agency that helps nonprofit organizations access lower cost financing for capital projects through the issuance of tax-exempt conduit revenue bonds. OFA was created by the Oregon Legislature in 1989. Since inception, it has issued over \$2.4 billion in bonds. The interest on these bonds is exempt from federal and state income tax.

The State of Oregon does not guarantee the repayment of any OFA conduit revenue bond, nor is any State asset or funding source at risk of non-repayment of these bonds. A nonprofit must repay the bonds from Project revenues or from other sources. OFA itself is funded solely from fees paid by borrowers. It does not receive any funding from the State Legislature or from other sources.



Courtesy of Luke-Dorf, Inc.

*"While most Oregonians have probably never heard of the Oregon Facilities Authority, it is an important organization dedicated to helping nonprofits throughout the State. The Authority provides non-profits of all sizes with critical, low-cost, financing to expand their facilities and help them meet the growing demands placed on them. I am proud of the work that the Oregon Facilities Authority plays in the lives of some of our most needy citizens."*

Randall Edwards  
Former State Treasurer

With certain exceptions, OFA can assist any nonprofit organization that qualifies as a section 501(c)(3) organization under federal income tax law, for capital projects located within Oregon. OFA bonds are issued by the State of Oregon, Office of the State Treasurer. OFA's role is to evaluate Projects proposed by nonprofits and make recommendations to the State Treasurer for bond issuance. The State Treasurer makes the final decision about whether to issue the bonds, after a recommendation by OFA.

## HIGHLIGHTS OF 2009-2010 AT THE OREGON FACILITIES AUTHORITY

OFA bond activity in this fiscal year significantly increased over FY 2008-2009. In FY 2010, OFA facilitated a total of \$412,570,200 of tax-exempt conduit revenue bonds in ten separate Projects. This consisted of \$387,950,000 in Traditional Bonds (five separate Projects) and \$24,620,200 in SNAP Bonds (five separate Projects).

The Oregon Legislature granted OFA \$950,000,000 in bonding authority for the 2009-2011 biennium. During the fiscal year, OFA neither

<b>Bonds Issued Through the Authority in FY 2009 and FY 2010</b>		
	<b>FY 2010</b>	<b>FY 2009</b>
Total Bonds	\$412,570,000	\$2,403,526
Number of Projects	10	2
Traditional Bonds Issued	\$387,950,000	\$0
SNAP Bonds Issued	\$24,620,000	\$2,403,526

OFA neither requested nor received any allocation of Private Activity Bond Volume Cap, and had no carryover of Private Activity Volume Cap Allocation.

This year, OFA held ten business meetings and two special meetings. Most meetings were held in Portland. In May, OFA held a business meeting in Corvallis, Oregon, along with a well-attended informational session hosted by the Majestic Theatre. OFA continues to conduct informational sessions on a monthly basis, in Portland and throughout the State.

In its special session held in February of 2010, the Oregon Legislature passed H.B. 3646, which expanded OFA's statutory authority to allow it to participate in a wider range of financing projects for nonprofits, as permitted by federal law governing tax-exempt borrowing by nonprofits.

In 2010, the Authority completed revision of its administrative rules, which are scheduled to go into effect in late 2010. The new rules include the following changes:

- For certain bonds, the Authority may grant conditional final approval at a single meeting, and delegate to the Executive Director the discretion to authorize the final recommendation.
- For private placements of Traditional Bonds, the limit on sale to three institutional investors has been removed. The new rules allow sale to an unlimited number of institutional buyers, subject to other conditions placed on the sale by the OFA Board.
- If a publicly issued bond issue is rated at or below BBB+/Baa1, the borrower must obtain two ratings that show a consistent investment grade rating.

OFA's SNAP Bond Program (Small Nonprofit Accelerated Program) continues to generate enthusiasm among nonprofits throughout Oregon, although the number of banks able to participate in the Program has decreased. For the first time, OFA's SNAP Bond Projects included the rehabilitation and renovation of affordable and supportive housing units.

OFA had one Traditional Bond in default as of the end of the fiscal year. The Trustee, Wells Fargo, N.A., continued to work with the Aspen Foundation II-Valley View Assisted Living Project to resolve its financial issues..

## PROJECTS OF THE OREGON FACILITIES AUTHORITY 2009-2010

OFA sponsors two different bond programs: the Traditional Bond Program and the SNAP Bond Program (Small Nonprofit Accelerated Program).

### Traditional Bond Program

Bonds issued under OFA's Traditional Bond Program are publicly issued or privately placed with institutional investors. The Traditional Bond Program is designed to accommodate complex deal terms, large issue amounts, and credit support arrangements. OFA works closely with borrowers and their financing teams in the Traditional Bond Program through closing of a bond transaction.

Traditional Bond transactions closed in FY 2010 through OFA and through the Office of the State Treasurer are described below.

*"The OFA Board is excited to see how many Oregon nonprofits -- both large and small -- are interested in tax-exempt financing. We look forward to exploring Projects with many more nonprofits as they construct, purchase and remodel facilities to help achieve their important missions."*

Kevin McAuliffe  
OFA Board Chair

<b>PeaceHealth</b>	<b>\$100,795,000</b>	<b>Closed: Oct 1, 2009</b>
Bond Counsel:	Orrick Herrington & Sutcliffe LLP	
Senior Managing Underwriter:	Goldman Sachs & Co.	
Co-Managing Underwriters:	Wells Fargo Brokerage Services, LLC, and Merrill Lynch, Pierce, Fenner & Smith, Inc.	

PeaceHealth was founded in 1890, and has grown into a regional health system that operates facilities in three states – Washington, Oregon and Alaska – and includes seven hospitals as well as other health-related services.

This Project was undertaken to refinance (i) 2008 OFA Bonds, Series A and B; (ii) certain taxable loans the proceeds of which were previously used to redeem 1996 OFA





refinancing of certain taxable loans taken out for capital projects, and proceeds for new construction. The refunding was undertaken to adjust certain covenants required previously by bond insurers.

**University of Western States      \$8,550,000      Closed: June 9, 2010 &  
September 7, 2010**

Bond Counsel:                      Orrick Herrington & Sutcliffe  
Purchasing Institution:              U.S. Bank National Association

Western States University (formerly the Western States Chiropractic College) is a university that educates students in the art, science, and philosophy of chiropractic medicine and related fields.

This Project was a private placement with US Bank as the purchasing institution. The transaction was designed to refund OFA Bonds initially issued in 1999 and refunded in 2005. It also allowed Western States to borrow amounts to construct a new anatomical services building to house a state-of-the-art dissection laboratory and a suite of faculty offices.

#### **SNAP (Small Nonprofit Accelerated Program) Bonds**

SNAP Bonds are private bank placements, and are typically of a smaller size than an OFA Traditional Bond. No underwriter or placement agent is involved, and the transaction is very similar to a traditional commercial bank real estate loan. Many SNAP Bond borrowers are first-time borrowers in the tax-exempt bond market, and the OFA SNAP Bond team works closely with those borrowers and sponsoring (purchasing) banks from conceptualization of a Project through closing.

SNAP Bonds closed in FY 2010 through OFA and the Office of State Treasurer are described below.

**N.K. Murphy Education Corp.      \$961,500      Closed: July 29, 2009  
dba Pacific Crest Community School**

Bond Counsel:                      K&L Gates LLP  
Sponsoring Bank:                      Capital Pacific Bank

The Pacific Crest Community School is a private coeducational school established in 1993, serving students in grades 7–12. This Project was undertaken to refinance certain existing taxable loans the proceeds of which were used for previous capital projects and to provide financing for extensive remodeling of existing facilities.

**Luke Dorf, Inc.**  
Bond Counsel:  
Sponsoring Bank:

**\$1,986,250**  
K&L Gates LLP  
Capital Pacific Bank

**Closed: Sept 21, 2009**

Luke Dorf's primary activities include outpatient mental health services, residential treatment and supportive housing. This Project was undertaken to (i) refinance certain existing loans previously taken out for acquisition of property; and (ii) provide financing for the acquisition and improvement of properties adjacent to the borrower's primary facility and remodeling to connect the facilities as a central campus.

*"The reduced interest rate of the SNAP bond allowed Luke-Dorf to realize a four year dream of a new campus, improving both delivery of service to our clients and the work environment for our employees."*

Howard Spanbock  
Executive Director  
Luke-Dorf, Inc.

**Samaritan Health Services**  
Bond Counsel:  
Sponsoring Bank:

**\$15,800,000**  
K&L Gates LLP  
Key Government Finance, Inc.

**Closed: Sept 30, 2009**

Samaritan Health Services, Inc., is a network of hospitals and physicians serving the communities of the mid-Willamette Valley and central Oregon coast. This was OFA's largest SNAP Bond to date, undertaken for the purposes of constructing new facilities and purchasing equipment to be owned by the borrower and leased to Western University of Health Sciences (another § 501(c)(3) organization) for establishment of the first new medical school in Oregon in 100 years, in Lebanon, Oregon.

**Central City Concern**  
Bond Counsel:  
Sponsoring Bank:

**\$4,550,000**  
K&L Gates LLP  
Key Government Finance, Inc.

**Closed: March 22, 2010**

Central City Concern has been mitigating the effects of homelessness, poverty and addictions in the Portland metro area for 30 years, and has developed a linked network of housing and services to help homeless and low-income individuals transition into the social and economic mainstream. This Project was the most complex refinancing of the SNAP Bond Program to date. It consisted of the refinancing of five existing loans from separate institutions relating to five separate projects in Portland and Medford, as well as the remodeling and rehabilitation of the Butte Building in Portland.

**Whitmarsh Building, LLC,      \$1,322,000**  
**a property of Innovative Housing, Inc.**

**Closed: April 2, 2010**

Bond Counsel:                      K&L Gates LLP  
Sponsoring Bank:                  Capital Pacific Bank

Innovative Housing, Inc. is a developer of high quality affordable housing throughout the Portland metro area. The Morrison Park Apartments, located in the Whitmarsh Building, consist of 60 units of affordable housing. This combination of taxable and nontaxable financing was designed to refinance a maturing loan and refinance a Portland Development Commission loan. This Project was purchased from the limited partner in a low income housing partnership at the expiration of the 15-year tax compliance period.



Courtesy of Central City Concern

*"OFA's SNAP Bond Program is alive and well, even in these difficult economic times. We are delighted to serve as SNAP and Special Bond Counsel to OFA to help nonprofits continue and even expand their important work in our communities."*

Carol J. McCoog  
K&L Gates LLP, Special and  
SNAP Bond Counsel

## THE PEOPLE AND PROCEDURES OF THE OREGON FACILITIES AUTHORITY

### Authority Board and Staff

The Authority is comprised of a seven-person Board, all of whom must be residents of the State of Oregon. Authority Members are appointed by the Oregon State Treasurer. The current Board members are:

**Kevin McAuliffe**, Chair  
President, McAuliffe Finance, LLC  
Lake Oswego, Oregon

**Sue Cutsogeorge**, Authority Member  
Finance Director, City of Eugene  
Eugene, Oregon

**Courtney Wilton**, Vice-Chair  
Vice President of College Services,  
Clackamas Community College  
Portland, Oregon

**Beth deHamel**, Authority Member  
Chief Financial Officer, TriMet  
Portland, Oregon

**Ellsworth Ingraham**, Authority Member  
Retired University administrator and  
businessman  
Portland, Oregon

**Al Gosiak**, Authority Member  
Consultant  
Hood River, Oregon

**Karen Weylandt**, Authority Member  
Regional Director of Design and  
Construction,  
Providence Health Services  
Portland, Oregon

OFA has a part-time Executive Director, Gwendolyn Griffith, who is responsible for the day-to-day affairs of the Authority. She is assisted by Shannon Sullivan, Executive Assistant. OFA works closely with the Office of State Treasurer, Division of Debt Management. The staff liaison to OFA is Lee Anaya, and the Director is Laura Lockwood-McCall.

### The OFA Team of Advisers

One of the advantages of issuing through OFA for a nonprofit is working with OFA's team of experienced advisers, all of whom are well versed in the financial, legal and business aspects of bond transactions and nonprofit Projects. These team members assist the Authority in its evaluation of Projects and in making its recommendation to the State Treasurer. Once a Project is underway, the financing team helps ensure a smooth transaction from application through closing. The State Treasurer's office has negotiated fees with members of the OFA team of advisers which are favorable to borrowers.

OFA works with a variety of underwriters and placement agents, as well as a number of banks that sponsor SNAP Bonds and purchase privately placed bonds in the Traditional Bond Program. A bank, underwriter or placement agent new to OFA is encouraged to confer with the Executive Director prior to proposing a Project to the Authority.

*Bond Counsel Firms:* "Bond Counsel" is the legal counsel to OFA and the Office of State Treasurer in a bond transaction. OFA has engaged four Bond Counsel firms for Traditional Bonds. Lead Bond Counsel is Orrick Herrington & Sutcliffe LLP. SNAP Bond counsel is K&L Gates.

***Lead Bond Counsel:***

**Douglas E. Goe**

Orrick, Herrington & Sutcliff LLP

1200 NW Couch St.

Portland, OR 97209

Phone: (503) 943-4810

E-mail: [dgoe@orrick.com](mailto:dgoe@orrick.com)

***Special Bond Counsel:***

**James P. Shannon**

Mersereau Shannon LLP

One SW Columbia Street, Suite 1600

Portland, Oregon 97258

Phone: (503) 226-6400

E-mail: [jshannon@mershanlaw.com](mailto:jshannon@mershanlaw.com)

***Special and SNAP Bond Counsel:***

**Carol J. McCoog**

K&L Gates

222 SW Columbia St., Suite 1400

Portland, OR 97201-6632

Phone: (503) 228-3200

E-mail: [carol.mccoog@klgates.com](mailto:carol.mccoog@klgates.com)

***Special Bond Counsel:***

**Marc R. Greenough**

Foster Pepper PLLC

1111 Third Avenue

Seattle, WA 98101-3299

Phone: (206) 447-7888

E-mail: [greem@foster.com](mailto:greem@foster.com)



Courtesy of Samaritan Health Services  
Photo by Michael Mathers, Clark/Kjos Architects, LLC

*Financial Adviser:* OFA's "Financial Adviser" advises OFA and the Office of State Treasurer on the financial aspects of a bond transaction, including the suitability of a plan of finance under OFA's statute and rules. In a SNAP Bond Transaction, OFA's Financial Adviser consults with the borrower prior to the borrower making an application to OFA to discuss the SNAP Bond Program. In a Traditional Bond transaction, the Financial Adviser works with the financing team throughout the transaction.

*Trustee:* A "Trustee" is used only in Traditional Bond transactions. The trustee holds and disburses bond proceeds, administers the various funds and accounts that serve as security for the bonds, and monitors the compliance requirements of the financing documents. The Lead Trustee for OFA is Wells Fargo, N.A., although OFA borrowers may choose another corporate trustee, subject to approval by OFA and the Office of State Treasurer.

OFA's Financial Adviser:

**Patrick Clancy**

Western Financial Group

1530 NE Stanton

Portland, OR 97212

Phone: (503) 288-4152

Fax: (503) 288-3972

E-mail: [clancy@westernfinancialgroup.com](mailto:clancy@westernfinancialgroup.com)

OFA's Lead Trustee:

**Beth A. Moyer**

Wells Fargo Bank, National Association

Corporate Trust Services

1300 SW 5th Ave., 11th Floor

Portland, OR 97201

(503) 886-1366

[Beth.A.Moyer@wellsfargo.com](mailto:Beth.A.Moyer@wellsfargo.com)

*"We have been honored to serve as bond counsel to OFA and legal counsel to §501(c)(3) borrowers in both large and small transactions. We strive to be exceptionally responsive to the needs of nonprofit borrowers and the State in structuring bond issues in the evolving bond market."*

James P. Shannon  
Courtney L. Dausz  
Mersereau Shannon LLP  
Special Bond Counsel



Courtesy of Luke-Dorf, Inc.

## OFA Procedures

OFA's procedures are published on its website at: <http://www.ost.state.or.us/About/OFA/>.

An OFA Project typically begins with a telephone call to the OFA Executive Director from a potential borrower, or from an underwriter, bank or financial adviser. This call allows the parties to explore whether the borrower, the Project and the proposed plan of finance qualify under OFA's statute and administrative rules.

*"The SNAP Bond process was smooth and easy, and everyone I worked with was fantastic."*

Sarah Stevenson  
Executive Director  
Innovative Housing, Inc.

A borrower makes an application to OFA describing the proposed Project and proposed plan of finance. Authority Members and the team of OFA advisers review the application and the Authority considers it for preliminary approval at a regularly scheduled OFA meeting. At the meeting, the borrower and its financing team discuss the mission of the borrower, the proposed Project, and the proposed plan of finance. If the Authority grants preliminary approval, the financing team works to prepare the transaction for closing. When bond documents are substantially final, the borrower returns to an Authority meeting for final approval. If the Authority grants final approval, it recommends that the State Treasurer to issue the bonds. The final decision is at the discretion of the State Treasurer. If consent is given, the closing may occur at the convenience of the financing team and the State Treasurer.

**Fees.** By statute, OFA may assess a closing fee of up to one-half of one percent of the amount of the bond issue. Each applicant pays an application fee of \$500 (\$250 for issuances of less than \$500,000). OFA's current fee schedule is:

- I. Fee for new money:
  - (a) SNAP Bonds, and Traditional Bond issues up to \$5,000,000, 0.3% of amount issued.
  - (b) Traditional Bond issues between \$5,000,000 and \$10,000,000, \$15,000 plus 0.2% of amount issued in excess of \$5,000,000.
  - (c) Traditional Bond issues between \$10,000,000 and \$20,000,000, \$25,000 plus 0.15% of amount issued in excess of \$10,000,000.
  - (d) Traditional Bond issues over \$20,000,000, \$40,000 plus 0.05% of amount issued in excess of \$20,000,000.



II. Fee for refinancing of existing Traditional OFA-related Bonds, 0.05% of amount of OFA bonds refinanced and costs related thereto.

Under newly proposed administrative rules, these fees may be increased upon resolution of the Authority, for transactions that are particularly complex or involve new forms of financing. While OFA has the authority to assess annual fees for outstanding bonds, at the present time it does not do so.

In addition to OFA's closing fee, a borrower will incur other fees, as follow:

- *Fees to the Office of State Treasurer:* The Office of State Treasurer requires a fee to cover the costs of its services in issuing bonds. The amount of this fee varies with the type and amount of offering. For direct bank placements, the fee is \$5,000 for bonds in the amount of \$5 million or less, and \$15,000 for placements in excess of that amount. For other offerings, the minimum fee is \$15,000 and varies depending on the structure of the offering.
- *Other fees and costs:* Borrowers are also responsible for costs and fees of Bond Counsel, the Financial Advisor, and the Trustee. Borrowers in the Traditional Bond Program pay Bond Counsel fees based on hourly rates. The Bond Counsel fee schedule for SNAP Bonds is based on the amount of the bond issued.

*"It has been a privilege to assist OFA and its nonprofit borrowers in a wide range of OFA bond issues. Our bond team's goal is to provide creative, cutting-edge, and cost-effective financing solutions that help nonprofits thrive, even in these challenging times."*

Douglas E. Goe  
Lead Bond Counsel  
Orrick Herrington & Sutcliffe LLP

## FINANCIAL STATEMENTS AND OTHER INFORMATION

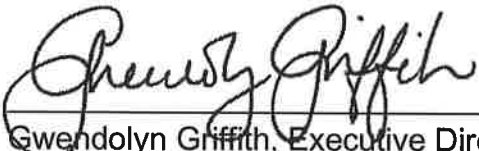
The Office of the State Treasurer keeps and maintains the financial books of account for the Authority. Attached to this report as "Exhibits" are the (1) Balance Sheet, (2) Statement of Revenues, Expenses and Changes in Fund Net Assets, (3) Statement of Cash Flows, and (4) Notes to Financial Statements, all as of June 30, 2010, with comparative totals as of June 30, 2009, as prepared by the Office of the State Treasurer.

"Table 1," as provided in the "Supplemental Information" Section below, sets forth the Bonds issued via the Authority since its inception and the outstanding balances of

Bonds outstanding on June 30, 2010. "Table 2" lists separately the SNAP Bonds issued and their outstanding amounts as of June 30, 2010.

Respectfully submitted,

OREGON FACILITIES AUTHORITY

By:   
Gwendolyn Griffith, Executive Director



Courtesy of Luke-Dorf, Inc.

*"The Oregon Facilities Authority  
in one word: OFAbulous!"*

Angela Gardner  
Project Manager  
Orrick, Herrington & Sutcliffe LLP

# GENERAL PURPOSE FINANCIAL STATEMENTS

Prepared by the Office of the State Treasurer

Enterprise Fund

## Balance Sheet

Oregon Facilities Authority

June 30, 2010

(with Comparative Totals for the Fiscal Year Ended June 30, 2009)

	6/30/2010	6/30/2009
<b>Assets</b>		
Cash in State Treasury	\$506,259	\$324,879
Accounts Receivable	\$0	\$0
Total Assets	\$506,259	\$324,879
<b>Liabilities and Net Assets</b>		
<i>Liabilities:</i>		
Accounts Payable	\$6,251	\$14,593
Total Liabilities	\$6,251	\$14,593
<i>Net Assets:</i>		
Net Fund Assets	\$500,007	\$310,286
Total Liabilities and Net Assets	\$506,259	\$324,879

The notes to the financial statements are an integral part of this report.

Enterprise Fund

**Statement of Revenues, Expenses and Changes in Fund Net Assets**

**Oregon Facilities Authority**

For the Fiscal Year Ended June 30, 2010

(with Comparative Totals for the Fiscal Year Ended June 30, 2009)

	<u>6/30/2010</u>	<u>6/30/2009</u>
<b>Operating Revenues</b>		
Interest Income	\$2,672	\$8,650
Misc Income	\$0	\$0
Application Fees	\$6,500	\$3,000
Charges for Services	<u>\$388,724</u>	<u>\$8,209</u>
Total Operating Revenues	<u>\$397,896</u>	<u>\$19,859</u>
<b>Operating Expenses</b>		
Director's Fees and Expenses	\$166,538	\$129,154
Other Expenses	<u>\$41,636</u>	<u>\$38,215</u>
Total Operating Expenses	<u>\$208,174</u>	<u>\$167,369</u>
Operating Gain (Loss)	\$189,721	(\$147,509)
Net Assets at Beginning of Year	<u>\$310,286</u>	<u>\$457,795</u>
Net Assets at End of Year	<u><u>\$500,007</u></u>	<u><u>\$310,286</u></u>

**The notes to the financial statements are an integral part of this report.**

Enterprise Fund

Statement of Cash Flows

Oregon Facilities Authority

For the Fiscal Year Ended June 30, 2010

(with Comparative Totals for the Fiscal Year Ended June 30, 2009)

	6/30/2010	6/30/2009
<b>Cash Flows from Operating Activities</b>		
Receipts from Customers	397,896	19,860
Payments to Suppliers	(216,515)	(164,508)
Net Cash Gained (Used) in Operating Activities	181,380	(144,648)
Net Increase (Decrease) in Cash	181,380	(144,648)
Beginning Cash Balance	324,878	469,526
Ending Cash Balance	506,258	324,878
<b>Reconciliation of operating income to net cash used by operating activities</b>		
Operating Gain (Loss)	\$189,721	(\$147,509)
Net Changes in Assets and Liabilities:		
(Increase)/Decrease in Interest Receivable	\$0	\$0
Increase/(Decrease) in Accounts Payable	(\$8,341)	\$2,861
Total Adjustments	(\$8,341)	\$2,861
Net Cash Gained (Used) by Operating Activities	\$181,380	(\$144,648)

The notes to the financial statements are an integral part of this report.

## NOTES TO FINANCIAL STATEMENTS

### Oregon Facilities Authority

June 30, 2010

#### 1. Summary of Significant Accounting Policies.

##### A. Reporting Entity.

The Oregon Facilities Authority (OFA) was created by the Oregon Legislature, Chapter 820, Oregon Laws 1989. OFA operates pursuant to the provisions of ORS Sections 289.005 through 289.240.

OFA was established to assemble and finance lands for housing, educational and cultural uses and for the construction and financing of facilities for such uses through the issuance of revenue bonds. In 1991, the Legislature, through Senate Bill 17, expanded OFA by allowing health facilities to approach OFA for debt financing approval. Effective January 1, 2002, the 2001 Oregon Legislature further expanded OFA by adding pre-kindergarten through grade 12 schools to the authorized list. In 2007, the Legislature expanded OFA's mission to allow financing for qualifying projects for any §501(c)(3) organization.

##### B. Basis of Presentation.

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Government Accounting Standards Boards, the Financial Accounting Standards Board, and the American Institute of Certified Public Accountants.

##### C. Fund Structure.

The accounts of OFA are organized and operated as an Enterprise Fund. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. Enterprise funds account for those operations that are financed and operated in a manner similar to private business or where management has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

##### D. Basis of Accounting.

Enterprise funds, a proprietary fund type, are accounted for using the flow of economic resources measurement focus and are maintained on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. All assets and liabilities associated with operations of the enterprise fund are included on the balance

sheet. Proprietary fund type operating statements present increases and decreases in net total assets.

**E. Fixed Assets, Inventory, Personal Services Expenses.**

OFA does not currently have any employees, fixed assets, or supplies inventory. It has a personal services contract with EDServices, LLC to provide the services of Gwendolyn Griffith as Executive Director of OFA.

**2. Cash.**

Cash includes all cash deposited in the State Treasury.

**3. No-Commitment Debt.**

No-commitment debt refers to debt issued to finance public purpose expenditures intended for the beneficial ownership by private entities. Such debt bears the name of the State of Oregon and OFA but is secured solely by the credit of the private entity and usually is serviced and administered by a trustee independent of the State of Oregon and OFA. Neither the State of Oregon nor OFA has an obligation for payment of this debt. Accordingly, this debt is not reported in the accompanying financial statements. As of June 30, 2010, \$1,356,057,413 of no-commitment debt was reported as outstanding. Table 1 and Table 2 provides the details of this debt.

**SUPPLEMENTAL INFORMATION**

**Table 1**

**Obligations Issued by the Authority through June 30, 2010**

(unaudited)

Set forth below is a list of bonds issued by the Oregon State Treasurer through the Oregon Facilities Authority and the outstanding balances as of June 30, 2010.

Name of Obligation	Original Principal Amount	Participating Institution	Outstanding Principal Balance as of June 30, 2010
Revenue Bonds (Lewis & Clark College Project), 1990 Series A	11,450,000	Lewis & Clark College	0
Bond Anticipation Notes (Oregon Coast Aquarium Project), 1990 Series A	14,000,000	Oregon Coast Aquarium	0
Revenue Bonds (Reed College Project), 1991 Series A	14,825,000	The Reed Institute	0
Revenue Bonds (George Fox College Project), 1991 Series A	1,530,000	George Fox College	0
Adjustable Rate Revenue Bonds (Oregon Museum of Science and Industry Project), 1991 Series A	17,195,000	Oregon Museum of Science and Industry	0
Bond Anticipation Notes (Oregon Museum of Science and Industry Project)	12,025,000	Oregon Museum of Science and Industry	0
Revenue Bonds (YMCA Project), 1992 Series	2,545,000	YMCA of Columbia-Willamette	0
Refunding Revenue Bonds (Linfield College Project), 1993 Series A	4,090,000	Linfield College	0



Name of Obligation	Original Principal Amount	Participating Institution	Outstanding Principal Balance as of June 30, 2010
Revenue Bonds (Holladay Park Plaza Project), 1993 Series A	18,000,000	Holladay Park Plaza (Presbytery of the Cascades Retirement Residence, Inc.)	0
Refunding Revenue Bonds (Oregon Coast Aquarium Project), 1993 Series A	14,110,000	Oregon Coast Aquarium	0
Revenue Bonds (Pacific Northwest Museum of Natural History Project), 1993 Series A	3,170,000	Pacific Northwest Museum of Natural History	0
Revenue Bonds (Linfield College Residence Hall Project), 1994 Series A	2,745,000	Linfield College	0
Revenue Bonds (George Fox College Project), 1994 Series A	3,000,000	George Fox College	0
Revenue Bonds (Friendsview Manor), 1994 Series A	455,000	Friendsview Manor	0
Revenue Bonds (Lewis & Clark College Project), 1994 Series A	40,980,000	Lewis & Clark College	0
Adjustable Rate Revenue Bonds (Guide Dogs for the Blind, Inc.), 1995 Series A	14,200,000	Guide Dogs for the Blind, Inc.	0 <sup>1</sup>
Construction Financing Notes (Saint Aidan's Place, Inc. Project), 1995 Series A	2,000,000	Saint Aidan's Place, Inc.	0
Variable Rate Health Facilities Revenue Bonds (The Evangelical Lutheran Good Samaritan Society Project), 1995 Series A	5,050,000	The Evangelical Lutheran Good Samaritan Society	3,050,000

<sup>1</sup> Bonds were fully defeased and advance refunded via 2007 Series A with an appropriate deposit in an escrow account with Wells Fargo Bank, National Association.

Name of Obligation	Original Principal Amount	Participating Institution	Outstanding Principal Balance as of June 30, 2010
Revenue Bonds (Oak Tree Foundation Project), 1995 Series A and Series B	3,500,000	Oak Tree Foundation/Pacific University	0
Variable Rate Demand Revenue Bonds (PeaceHealth Project), 1995 Series A	16,000,000	PeaceHealth	6,780,000
Revenue Bonds (Reed College Project), 1995 Series A	21,330,000	The Reed Institute	685,000 <sup>2</sup>
Revenue Bonds (Oregon Baptist Retirement Homes -- Weidler Retirement Center Project), 1996 Series A	7,720,000	Oregon Baptist Retirement Homes	0 <sup>3</sup>
Revenue Bonds (Hawthorne Villa Project), 1996 Series A	3,952,000	Tualatin Valley Housing Partners	2,540,000
Revenue Bonds (Pier Park Project), 1996 Series A	6,655,000	The Foundation for Social Resources	5,970,000
Revenue Bonds (Oregon State University Alumni Association Project), 1997 Series A	1,500,000	Oregon State University Alumni Association	0
Revenue Bonds (George Fox University Project), 1997 Series A	9,000,000	George Fox University	0 <sup>4</sup>
Revenue Bonds (Society of St. Vincent de Paul Housing Projects), 1997 Series A, B, C and D	8,650,000	Society of St. Vincent de Paul of Portland	0
Revenue Bonds (The National College of Naturopathic Medicine Project), 1998 Series A	2,524,873	National College of Naturopathic Medicine	0 <sup>5</sup>

<sup>2</sup> A portion of the bonds were defeased and advance refunded via 2006 Series A with an appropriate deposit in an escrow account with Wells Fargo Bank, National Association.

<sup>3</sup> These bonds were fully defeased and advance refunded through a local issuer (Hospital Financing Authority of Multnomah County) with an appropriate deposit with Wells Fargo Bank, N.A.

<sup>4</sup> The bonds were fully defeased and advance refunded via another public entity (Yamhill County 2005A) with an appropriate deposit in an escrow account with Wells Fargo Bank, National Association.

Name of Obligation	Original Principal Amount	Participating Institution	Outstanding Principal Balance as of June 30, 2010
Revenue Bonds (Cedarwest Housing Project), 1998 Series A	5,250,000	The ARC of Central Oregon	0
Revenue Bonds (Quatama Crossing Housing Project), 1998 Series A and B	54,000,000	Tudor Foundation	0 <sup>6</sup>
Revenue Bonds (College Housing Northwest Project), 1998 Series A	16,130,000	College Housing Northwest, Inc.	0
Revenue Bonds (Goodwill Industries of Lane County Project), 1998 Series A	4,300,000	Goodwill Industries of Lane County	3,095,000
Revenue Bonds (St. Anthony Village Housing Project), 1998 Series A	10,000,000	St. Anthony Village Enterprise	8,390,000
Revenue Bonds (Sacred Heart Medical Foundation Project), 1998 Series A	10,700,000	Sacred Heart Medical Foundation	7,400,000
Revenue Bonds (Oregon Coast Aquarium Project), 1998 Series A	14,110,000	Oregon Coast Aquarium	0 <sup>7</sup>
Revenue Bonds (Linfield College Project), 1998 Series A	14,900,000	Linfield College	12,390,000
Variable Rate Demand Revenue Bonds (PeaceHealth), Series 1998	15,000,000	PeaceHealth	0
Revenue Bonds (Weidemann Park Project), 1998 Series A	2,740,000	Accessible Living, Inc.	2,268,018
Revenue Bonds (Trillium Affordable Housing Projects), 1999 Series A and B	9,600,000	Portland Habilitation Center, Inc.	8,235,000 <sup>8</sup>

<sup>5</sup> These bonds were defeased and advance refunded via 2008 Series A OFA Revenue SNAP Bonds (National College of Natural Medicine).

<sup>6</sup> The 1998 bonds (both Series A and B) were fully defeased and advance refunded by the 2005 bonds (both Series A and B).

<sup>7</sup> The 1998 bonds were exchanged for 2005 bonds per consent of 100% of the bondholders.

Name of Obligation	Original Principal Amount	Participating Institution	Outstanding Principal Balance as of June 30, 2010
Variable Rate Revenue Bonds (St. Vincent de Paul Society of Lane County, Inc. Projects), 1999 Series A	3,210,000	St. Vincent de Paul Society of Lane County, Inc.	0
Revenue Bonds (Aspen Foundation II – Valley View Assisted Living Project), 1999 Series A and B	3,300,000	Aspen Foundation II	3,015,000
Revenue Bonds (YMCA Project), 1999 Series A	2,580,000	YMCA of Columbia-Willamette	0
Revenue Bonds (Western States Project) 1999 Series A	7,800,000	Western States Chiropractic College	0
Revenue Bonds (Hillside Manor Project) 2000 Series A	21,650,000	Hillside Manor a Christian Retirement Center, Inc.	0
Revenue Bonds (Reed College Project) 2000 Series A	20,000,000	The Reed Institute	19,215,000
Revenue Bonds (Shelter America Project) 2000 Series A and B	2,000,000	Shelter America Group	0
Revenue Bonds (Linfield College Project) 2000 Series A	14,490,000	Linfield College	450,000
Variable Rate Revenue Bonds (Lewis & Clark College Project) 2000 Series A	50,000,000	Lewis & Clark College	0
Adjustable Rate Revenue Bonds (Assumption Village Assisted Living Project) 2001 Series A	11,100,000	Village Enterprises	9,745,000

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<sup>8</sup> This bond issue involved seven separate low-income apartment complexes. The proceeds of these Bonds were used to make separate loans to Trillium Equity Limited Partnership and seven Trillium Affordable Housing limited liability companies (LLCs), all of which are jointly and severally parties to the loans. Trillium Partnership and independence Housing I, LLC, which is the general partner of Trillium Partnership, are members of each of Trillium LLCs.

Name of Obligation	Original Principal Amount	Participating Institution	Outstanding Principal Balance as of June 30, 2010
Mortgage Backed Secured Notes (Necanicum Village Assisted Living Project) 2001 Series A and B	7,815,000	Seaside Senior Care Associates, Inc.	0
Adjustable Rate Revenue Bonds (Newman Commons Student Housing Project) 2001 Series A	2,700,000	Trinity Court, LLC	0
Revenue Bonds (Linfield College Project) 2001 Series A	2,000,000	Linfield College	2,000,000
Revenue Bonds (PeaceHealth Project) 2001 Series A	70,000,000	PeaceHealth	70,000,000
Revenue Bonds (French American International School Project) 2002 Series A	5,465,000	French American International School	4,505,000
Variable Rate Revenue Bonds (Lewis & Clark College Project) 2002 Series A	20,000,000	Lewis & Clark College	0
Revenue Bonds (College Housing Northwest Project), 2002 Series A	19,945,000	College Housing Northwest	19,500,000
Revenue Bonds (Cascadian Terrace Apartment Project) 2002 Series A	3,440,000	Portland Affordable Housing Preservation Trust	3,085,000
Revenue Bonds (Hazelden Springbrook Project) 2002 Series A and Series One	5,700,000	Hazelden Springbrook, Inc.	4,600,000
Variable Rate Revenue Bonds (Lewis & Clark College Project) 2003 Series A	73,400,000	Lewis & Clark College	0

Name of Obligation	Original Principal Amount	Participating Institution	Outstanding Principal Balance as of June 30, 2010
Revenue Bonds (Hearthstone Bend Housing Project) 2003 Series A	5,800,000	Hearthstone Housing Foundation, Inc.	5,700,000
Revenue Bonds (Willamette University Project) 2004 Series A	15,075,000	Willamette University	0 <sup>9</sup>
Revenue Bonds (PeaceHealth Project) 2004 Series A-F	208,350,000	PeaceHealth	15,000,000 <sup>10</sup>
Revenue Bonds (Lewis & Clark Project) 2004 Series A	35,800,000	Lewis & Clark College	0
Revenue Bonds (Oregon Episcopal School Project) 2004 Series A	12,000,000	Oregon Episcopal School	12,000,000
Revenue Bonds (FEDE Sacred Heart Project) 2004 Series A	6,350,000	Faith Enhanced Development Enterprises (FEDE)	3,654,375
Revenue Bonds (College Inn Student Housing) 2005 Series A, B & One	19,320,000	College Housing Northwest-Corvallis, LLC	18,560,000
Revenue Bonds (Linfield College Project) 2005 Series A	19,930,000	Linfield College	19,830,000
Revenue Bonds (Oregon Coast Aquarium Project) 2005 Series A	12,965,000	Oregon Coast Aquarium	12,865,000 <sup>11</sup>
Revenue Bonds (Tenino Terrace/Powell Plaza I and II Projects), 2005 Series A	7,475,000	AOF/Pacific Affordable Housing Corp.	7,030,017 <sup>12</sup>

<sup>9</sup> A portion of the bonds (\$8,420,000) were defeased and advance refunded via 2007 Series A with an appropriate deposit in an escrow account with Wells Fargo Bank, National Association, and the remaining bonds were defeased and advance refunded via 2010 Series A and B.

<sup>10</sup> Series B-F were defeased and advance refunded in the 2008 Series A, B, C & D.

<sup>11</sup> See Note 7.

<sup>12</sup> Involved are three low income apartment complexes with a separate but coordinate Series A bond issue for each.

Name of Obligation	Original Principal Amount	Participating Institution	Outstanding Principal Balance as of June 30, 2010
Revenue Bonds (Quatama Crossing Housing Project), 2005 Series A and B	53,732,104	Quatama Crossing LLC	49,802,853
Revenue Bonds (Willamette University Project), 2005 Series A	13,000,000	Willamette University	12,470,000
Revenue Note (OHSU Medical Group Project) 2005 Series A	19,000,000	OHSU Medical Group	8,190,546
Revenue Bonds (Western States Chiropractic College Project) 2005 Series A	7,305,000	Western States Chiropractic	6,915,000
Revenue Bonds (Reed College Projects) 2006 Series A	16,650,000	Reed College	0 <sup>13</sup>
Revenue Bonds (Guide Dogs for the Blind) 2007 Series A	11,775,000	Guide Dogs for the Blind	0
Revenue Bonds (Willamette University) 2007 Series A	31,820,000	Willamette University	31,495,000
Revenue Bonds (Childpeace Montessori Community) 2007 Series A	7,000,000	Childpeace Montessori Community	7,000,000
Revenue Bonds (PeaceHealth Project) 2007 Series A and B	150,000,000	PeaceHealth	0 <sup>14</sup>
Revenue Bonds (Reed College Projects) 2007 Series A	30,000,000	Reed College	0 <sup>15</sup>
Revenue Bonds (Trillium Charter) 2007 Series A and Series One	3,395,000	Trillium Charter	3,325,000
Revenue Bonds (University of Portland) 2007 Series A	86,570,000	University of Portland	80,830,000

<sup>13</sup> Series A was defeased and advance refunded in the 2008 Series A.

<sup>14</sup> Series A & B were defeased and advance refunded in the 2008 Series A, B, C & D.

<sup>15</sup> Series A was defeased and advance refunded in the 2008 Series A.

Name of Obligation	Original Principal Amount	Participating Institution	Outstanding Principal Balance as of June 30, 2010
Revenue Bonds (Reed College) 2008 Series A	47,060,000	Reed College	46,710,000
Revenue Bonds (Lewis & Clark College Projects) 2008 Series A	106,400,000	Lewis & Clark College Projects	103,365,000
Revenue Bonds (PeaceHealth Project) 2008 Series A-D	344,670,000	PeaceHealth	295,975,000
Revenue Bonds (PeaceHealth Project) 2009 Series A and B	100,795,000	PeaceHealth	100,795,000
Revenue Bonds (Legacy Health Systems, Inc.) 2010 Series A	123,745,000	Legacy Health Systems	123,745,000
Revenue Bonds (Willamette University Projects) 2010 Series A and B	32,500,000	Willamette University Projects	32,500,000
Revenue Bonds (University of Western States) Series A and B	1,940,000	University of Western States	1,940,000
Revenue Bonds (Samaritan Health) Partial Refund of 1998	122,055,000	Samaritan Health	122,055,000
<b>TOTALS</b>	<b>\$2,418,003,977</b>		<b>\$1,318,670,809</b>



**Table 2**

**OFA SNAP Bonds  
(Small Nonprofit Accelerated Bond Program Bonds)**

Set forth below is a list of SNAP bonds issued by the Oregon State Treasurer through the Oregon Facilities Authority and the outstanding balances as of June 30, 2010.

Name of Obligation	Original Principal Amount	Participating Institution	Outstanding Principal Balance as of June 30, 2010
Revenue Express Bonds (The International School) 2007 Series A	1,494,000	The International School	1,438,285
Revenue Bonds (Looking Glass) 2008 Series A	1,447,357	Looking Glass	1,254,284
Revenue Bonds (Pearl Buck Center) 2008 Series A	3,040,000	Pearl Buck Center	1,987,181
Revenue Bonds (Albertina Kerr Centers) 2008 Series A	999,900	Albertina Kerr Centers	897,338
Revenue Bonds (Deschutes Children's Foundation) 2008 Series A	700,000	Deschutes Children's Foundation	679,062
Revenue Bonds (National College of Natural Medicine) 2008 Series A	5,350,000	National College of Natural Medicine	5,124,627
Revenue Bonds (Morrison Child & Family Services, Inc.) 2008 Series A	553,526	Morrison Child & Family Services	535,801
Revenue Bonds (NW Human Services, Inc.) 2008 Series A	1,850,000	Northwest Human Services	1,336,642
Revenue Bonds (Pacific Crest Community School) 2009 Series A	961,500	Pacific Crest Community School	944,134
Revenue Bonds (Luke-Dorf, Inc.) 2009 Series A	1,986,250	Luke-Dorf	1,950,837

Name of Obligation	Original Principal Amount	Participating Institution	Outstanding Principal Balance as of June 30, 2010
Revenue Bonds (Samaritan Health Services) 2009	15,800,000	Samaritan Health Services	15,395,008
Revenue Bonds (Central City Concern, Inc.) 2010 Series A	4,550,000	Central City Concern	4,528,156
Revenue Bonds (Innovative Housing, Inc.) 2010 Series A	1,322,000	Innovative Housing	1,315,249
<b>TOTALS</b>	<b>\$40,054,533</b>		<b>\$37,386,604</b>

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